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Clinton, Kennedy Would 'Lift Families Out of Poverty' With 2-Cent-per-Hour Raise
CRS Exposes Result of Back-to-Back Kennedy Minimum Wage Hikes

Using case examples from New York and California, the Congressional Research Service (CRS) found that the $1.00 increase (over two years) in the minimum wage proposed by President Clinton and Senator Kennedy will do next to nothing to help low-income families. The study, prepared for House Majority Whip Tom DeLay, shows that rather than providing America's working poor with a "living wage" or lifting working families out of poverty, the lion's share of the $1.00-per-hour Kennedy wage hike will end up in Uncle Sam's pockets, not in the hands of the wage-earners.

Example: A Single Mother of Two Working Full-Time at Minimum Wage —

- A low-income mother of two will receive about 2 cents more per hour from the $1.00-per-hour increase proposed by Senator Kennedy. Of that extra dollar:
  — She will lose more than 90 cents in reduced cash welfare payments; and
  — She will lose nearly 8 cents in higher Social Security taxes.
  [CRS case example, based on Jan. 1998 welfare payment schedule in California for single-parent family w/ 2 children, see attached table]

Teenagers Working at Minimum Wage for the Summer Will Benefit the Most —

- Meanwhile, a teenager working 40 hours a week for the 12 weeks of summer would earn a total of $2,952 under the Kennedy-proposed $6.15-per-hour minimum wage. Yet, as a single dependent earning less than $4,000, such a teenager would not pay federal income taxes. As a result:
  — The teenager, unlike the low-income mother, will receive 92 cents-per-hour more under the Kennedy proposal, paying just under 8 cents an hour in Social Security taxes.

Ultimately, Employers Will Foot the Bill for the Kennedy Plan

The Congressional Budget Office (CBO) estimates that raising the minimum wage by $1.00-per-hour would cost employers more than $31 billion in increased payroll costs over five years (1999-2003). To illustrate the burden this poses to small businesses, an employer with just 10 full-time employees earning the minimum wage will face increased payroll costs of more than $20,000 — nearly the annual payroll cost of two full-time employees.

In short, President Clinton and Senator Kennedy are asking employers to foot a $31 billion bill that ultimately will transfer more money to the government than into the hands of low-income families. As the CRS study shows, raising employer payroll costs by a whopping 20 percent translates into little more than a 2-cent-per-hour raise for working-poor families in California and certain areas of New York. For welfare families living in these places, as much as 98 cents of each additional dollar will be devoured by higher payroll taxes and reductions in cash assistance and other benefits available to low-income families.

While it may be an effective way to divert more money into government hands, increasing the minimum wage is not an effective way to increase the real earnings of low-income working parents. CRS estimates that nationally, these low-income parents (i.e., those working full-time at the minimum wage and receiving welfare payments, rental assistance, etc.,) will receive just 35 cents more per hour under the $6.15-per-hour Clinton-Kennedy proposal — two-thirds of the wage hike will go to local, state, and federal coffers. According to the CRS study:

> ". . . It should be noted that in the examples shown [i.e., families with a single full-time worker at the minimum wage who qualify for food stamps and the maximum EIC benefit], the federal treasury would benefit by reduced welfare spending and increased tax revenue, as might states if families receiving TANF [cash welfare assistance] were to earn more."

Highlights of CRS Study on Increasing the Minimum Wage

In a March 27, 1998, study entitled "Case Examples of Effects of a Proposed Increase in the Minimum Wage on Family Income," CRS evaluated the impact of the proposed Clinton-Kennedy minimum wage increase on families earning the minimum wage in two states: California and New York. As of September of 1997, those two states alone accounted for nearly one-third of the nation's cash welfare recipients (California, approximately 23 percent, and New York, 10 percent).

As the study points out, families with a single full-time worker earning either the current $5.15 per-hour minimum wage, or the $6.15 per-hour wage (by 2000) proposed by Senator Kennedy are each entitled to a variety of cash and other welfare benefits.

- A family with a single full-time worker earning $5.15 per hour would have annual gross earnings of $10,712 (assuming 40 hours of work over 52 weeks).
- At the proposed increased rate of $6.15 per hour, a family's annual gross earnings would increase by $2,080, to $12,792 per year.
- At these income levels, families in California and New York would remain eligible for cash welfare benefits (i.e., Temporary Assistance of Needy Families, "TANF"), Food Stamps, rental assistance, and the maximum Earned Income Credit (EIC).
- For a single-parent family with two children living in California or a single parent with one child living in Suffolk County, New York, the higher minimum wage results in lost benefits amounting to nearly 98 cents for each additional dollar earned above the current $5.15 per hour [see attached chart and table]. A single-parent family with two children in New York City would take home a mere 13 cents more of that extra dollar.

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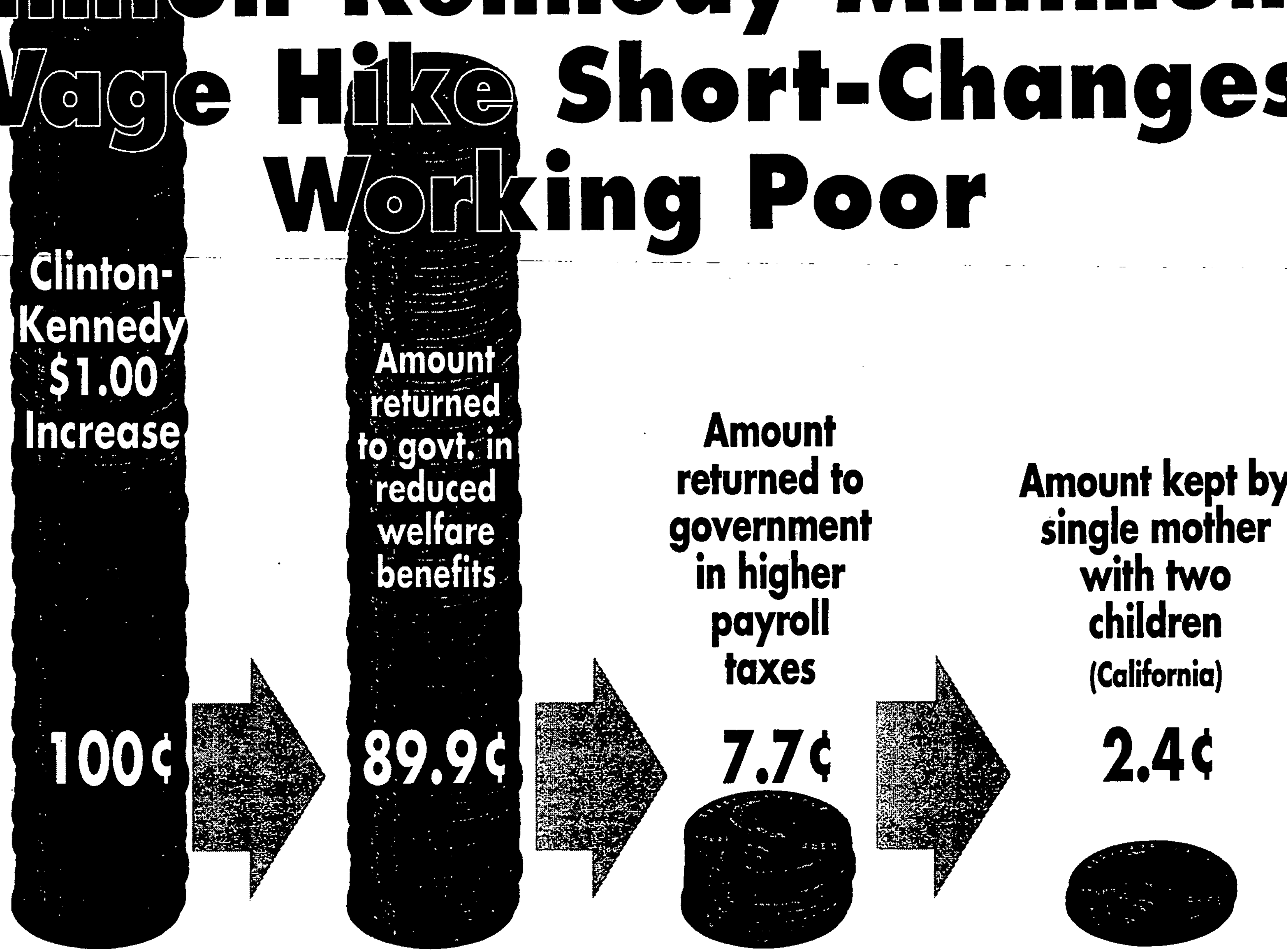
Clinton-Kennedy Minimum Wage Hike Short-Changes Working Poor



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Source: CRS

Selected Effects of Proposed Minimum Wage Increase on Net Hourly Income for a Single Parent Family with 2 Children Living in California in 2000

	Current Minimum Wage $5.15 per hour	Proposed Minimum Wage $6.15 per hour	Difference	Amount Reduction In Increased Earnings
Earnings	$5.15	$6.15	$1.00	
EITC	$1.15	$1.15	$0.00	0.0%
Cash income after federal income taxes	$6.30	$7.30	$1.00	0.0%
Social Security taxes (FICA & HI)	($0.39)	($0.47)	($0.08)	-7.7%
Net income after taxes	$5.91	$6.83	$0.92	-7.7%
TANF	$0.91	$0.00	($0.91)	-90.6%
Net income after taxes and TANF	$6.82	$6.83	$0.01	-98.2%
Food stamps	$0.08	$0.12	$0.04	3.5%
Net income after taxes, TANF and food stamps	$6.90	$6.95	$0.05	-94.8%
Rent (assisted housing)	($1.75)	($1.78)	($0.03)	-2.8%
Net income after taxes, TANF, food stamps and rent	$5.15	$5.17	$0.02	-97.6%

Source: Congressional Research Service (CRS)

NOTE: Estimates based on methods and assumptions used. See CRS text for details. Details may not sum to totals due to rounding.